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Alberta Distillers, Limited Annual Report

1961



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Alberta Distillers, Limited

CALGARY, CANADA
AND SUBSIDIARY COMPANIES

<i>board of directors</i>	George H. Reifel Charles H. Wills William C. Mainwaring	Harry F. Reifel Charles G. McConville Mervyn A. Dutton
<i>officers</i>	George H. Reifel, <i>President</i> Harry F. Reifel, <i>Vice-President</i> Charles H. Wills, <i>Secretary</i> Charles G. McConville, <i>Comptroller</i> Ernest Fleury, <i>Assistant Secretary</i>	
<i>registrar and transfer agent</i>	Eastern Trust Company, Toronto, Ontario; Vancouver, British Columbia; Calgary, Alberta	
<i>bankers</i>	The Canadian Imperial Bank of Commerce, Vancouver, British Columbia	
<i>auditors</i>	Clarkson, Gordon & Co., 300 Lancaster Bldg., Calgary, Alberta	
<i>distillery and registered office</i>	14th St. and 34th Ave., S.E., Calgary, Alberta	
<i>executive and sales offices</i>	722 Nelson Street, Vancouver, British Columbia	
<i>eastern Canadian sales offices</i>	39 Newcastle St., Mimico, Ontario	
<i>Quebec sales offices</i>	Hotel de la Salle, Montreal, Quebec	
<i>United States sales offices</i>	Carrington & Company, Ltd., 666 Fifth Ave., New York, N.Y. Harry M. Silver, <i>President</i>	
<i>shares listed</i>	Toronto Stock Exchange Vancouver Stock Exchange Calgary Stock Exchange	

REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS

This report covers the operations of Alberta Distillers, Limited and its wholly-owned subsidiaries for the year ended May 31st, 1961.

FINANCIAL RESULTS

Sales of the Company's products for the fiscal year ended May 31st, 1961 totalled \$10,268,893, an increase of \$884,103 over the previous year. Net income after taxes increased by \$31,770 to \$394,034.

This year, in the financial statements of the Company, gross sales include Canadian and United States taxes on liquor sold. In previous years our statements have not included these taxes. This change in our present income statement has been made in order that the statement may be readily comparable with reports issued by other public companies in the industry. It also serves to indicate the heavy cash investment in taxes that is required to finance our sales.

THE UNITED STATES MARKET

\$4,767,742 of this year's Consolidated Gross Sales were made through our U.S. Subsidiary, Carrington and Company. The comparable figure for 1960 was \$3,222,232.

Canada House Canadian Whisky, which is bottled in the U.S.A., continued to grow strongly in Michigan and Ohio and our efforts in several other markets have shown promising results. At the present time your Company does not have the resources to promote this brand on a National basis, and it may be some years before distribution is sufficiently widespread to permit merchandising other than on a regional scale.

Sales of "Carrington's Canadian", our premium export whisky, showed improvement in 1961. This brand is in direct competition with some of the most heavily promoted whiskies in the United States and progress has of necessity been slow. We are however, gradually building a strong group of loyal consumers who are aware of, and appreciate, the high quality of this whisky.

The Company is continuing to sell small quantities of bulk whiskies to bottlers in the U.S.A. for use in "Private Label" brands. We anticipate that this demand for bulk will continue to grow, and also that other distillers will eventually become even more aggressive in seeking this type of outlet.

The recent increase in value of the U.S. dollar will reflect favourably in next year's earnings in this market. In addition, a recovery in the U.S. economy appears to be under way and we therefore look with confidence for further improvements in both volume and earnings in our most important market.



THE CANADIAN MARKET

Your Company has found the past year a most difficult one from a sales point of view in virtually every Province in Canada. It was noted in last year's report that there was a distinct tendency for consumers to purchase lower priced whiskies. This trend has become more marked, and it is difficult to foresee any improvement without either tax decreases, or greatly increased consumer income. Beer is currently taxed at less than half the comparable levy against spirits, and further consumer switching from spirits will likely continue, unless some adjustments are made to rectify this inequity.

Advertising expenditure and promotional efforts have been increased to counteract these problems and maintain our position in the market. Under present day conditions it would be unrealistic to predict that we can anticipate any substantial increase in Canadian sales during our next fiscal year.

A list of the Company's products appears on the last page of this report. It is in their own investment interest for shareholders to use our quality products and to bring them to the attention of their friends and associates.

PRODUCTION & PLANTS

The Calgary plant operated at a high level of production during the past year so that quantities of maturing whiskies are now larger than at any previous time in our history. Use of improved techniques has increased the average yield of spirits from each bushel of grain processed by some 10%. The resultant lower production costs will be reflected in future years when the whisky has completed maturing and is sold.

The Mimico Plant has completed its first full year of operation. No major capital expenditures or changes in operation were undertaken last year at this plant.

APPRECIATION

Your Directors are pleased to express their appreciation for the assistance which has been given to our sales people through continued stockholder loyalty to the Company's products.

We also wish to express our thanks to the employees whose continuing contribution has been so important during this past year.

Submitted on behalf of the
Board of Directors.

George H. Reifel

Alberta Distillers, Limited

(INCORPORATED UNDER THE LAWS OF ALBERTA)
AND WHOLLY-OWNED SUBSIDIARY COMPANIES

	<u>ASSETS</u>	<u>1961</u>	<u>1960</u>
CURRENT:			
Cash	- - - - -	\$ 155,756	\$ 52,144
Accounts receivable	- - - - -	1,725,435	1,159,464
Inventories of maturing and bottled whiskies and manufacturing supplies valued at the lower of cost or market	- - - - -	4,903,673	5,215,111
Deposit with Trustee for bond redemptions	- - - - -	52,619	
Prepaid expenses	- - - - -	53,675	79,445
6% mortgage due February 25, 1962	- - - - -	33,000	
Total current assets	- - - - -	<u>\$ 6,924,158</u>	<u>\$ 6,506,164</u>
FIXED — AT COST:			
Trade marks	- - - - -	\$ 2	\$ 2
Land	- - - - -	36,713	36,713
Buildings, machinery and equipment, less accumulated depreciation of \$1,254,249 (\$1,084,444 in 1960)	- - - - -	2,171,956	2,328,811
		<u>\$ 2,208,671</u>	<u>\$ 2,365,526</u>
OTHER:			
6% Mortgage due February 25, 1962	- - - - -	\$	\$ 33,000
Discount on first mortgage bonds	- - - - -	1,105	2,256
Discount and expenses on sinking fund debentures	- - - - -	77,507	86,357
		<u>\$ 78,612</u>	<u>\$ 121,613</u>
		<u>\$ 9,211,441</u>	<u>\$ 8,993,303</u>

On behalf of the Board:

GEORGE H. REIFEL, Director.

CHARLES G. McCONVILLE, Director.

To the Shareholders of
Alberta Distillers, Limited.

AUDITORS'

We have examined the consolidated balance sheet of Alberta Distillers, Limited and its wholly-owned subsidiary companies as at May 31, 1961 and the consolidated statement of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Calgary, Alberta.
July 19, 1961.

Consolidated Balance Sheet

MAY 31, 1961
(WITH COMPARATIVE FIGURES FOR 1960)

	<u>LIABILITIES</u>	<u>1961</u>	<u>1960</u>
CURRENT:			
Bank demand loan — secured	- - - - -	\$ 3,102,500	\$ 3,263,500
Accounts payable	- - - - -	160,947	140,562
Deposits on production contracts	- - - - -	154,281	131,356
Income and other taxes payable	- - - - -	326,884	262,090
Portion of long term debt due within one year	- - - - -	179,312	115,125
Total current liabilities	- - - - -	<u>\$ 3,923,924</u>	<u>\$ 3,912,633</u>
LONG TERM DEBT (Note 2)	- - - - -	<u>\$ 1,837,188</u>	<u>\$ 2,024,375</u>
SHAREHOLDERS' EQUITY:			
Capital (Note 3) —			
Authorized — 5,000,000 shares without nominal or par value			
Issued and fully paid — 3,591,000 shares	- - - - -	\$ 1,662,003	\$ 1,662,003
Paid-in surplus	- - - - -	10,000	10,000
Earned surplus	- - - - -	1,778,326	1,384,292
		<u>\$ 3,450,329</u>	<u>\$ 3,056,295</u>
		<u>\$ 9,211,441</u>	<u>\$ 8,993,303</u>

See accompanying notes to consolidated financial statements.

REPORT

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Alberta Distillers, Limited and its wholly-owned subsidiary companies at May 31, 1961 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

Alberta Distillers, Limited

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEAR ENDED MAY 31, 1961

(WITH COMPARATIVE FIGURES FOR 1960)

	<u>1961</u>	<u>1960</u>
Gross sales - - - - -	\$10,268,893	\$ 9,384,790
Excise and sales taxes - - - - -	5,472,166	4,617,680
Net sales - - - - -	\$ 4,796,727	\$ 4,767,110
Cost of sales (production, rack house and bottle shop costs, less sales of by-products) - - - - -	2,350,874	2,246,578
Gross profit - - - - -	\$ 2,445,853	\$ 2,520,532
Expenses:		
Shipping costs - - - - -	\$ 54,705	\$ 157,163
Selling, advertising and promotion costs - - - - -	947,932	1,039,976
Interest — bank loan - - - - -	189,551	170,385
Interest — long term debt - - - - -	119,883	131,170
Salaries, office and general expenses - - - - -	400,500	405,350
Amortization of long term debt discount and expense - - - - -	10,000	13,650
Discount on bonds redeemed - - - - -	(1,961)	(11,179)
Loss (profit) on sale of fixed assets - - - - -	2,547	(11,091)
	<u>\$ 1,723,157</u>	<u>\$ 1,895,424</u>
Profit before income taxes - - - - -	\$ 722,696	\$ 625,108
Income taxes (Note 4) - - - - -	328,662	262,844
Net profit for the year - - - - -	\$ 394,034	\$ 362,264
Earned surplus at beginning of year - - - - -	1,384,292	1,022,028
Earned surplus at end of year - - - - -	<u>\$ 1,778,326</u>	<u>\$ 1,384,292</u>

See accompanying notes to consolidated financial statements.

Alberta Distillers, Limited

AND WHOLLY-OWNED SUBSIDIARY COMPANIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1961

1. Principles of Consolidation.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Carrington Distillers, (Ontario) Limited and Carrington and Company, Ltd., a United States company. The accounts of the United States subsidiary have been converted to Canadian dollars on the following basis: current assets and liabilities, which represent substantially all the net assets of the subsidiary (\$1,428,000), at the rate of exchange in effect at the year end (98.75) and expenses and revenue at the average rate of exchange for the year.

2. Long Term Debt.

	<u>1961</u>	<u>1960</u>
5% First (Closed) Mortgage Sinking Fund Bonds, maturing October 1, 1962 - - - - -	\$ 199,000	\$ 232,000
6% Sinking Fund Debentures, Series A, maturing February 1, 1979 -	1,767,500	1,857,500
6½% Mortgage, due February 16, 1964 - - - - -	50,000	50,000
	<u>\$ 2,016,500</u>	<u>\$ 2,139,500</u>
Less sinking fund instalments due within one year included in current liabilities - - - - -	179,312	115,125
	<u>\$ 1,837,188</u>	<u>\$ 2,024,375</u>

3. Capital.

350,000 shares of the authorized but unissued shares without nominal or par value are reserved for issuance upon exercise of Share Purchase Warrants. The registered holder of each warrant will be entitled from the date of issue thereof to and including February 1, 1969 to subscribe for and purchase shares in the company at the following prices:

- If purchased on or before February 1, 1963 — \$2.50 per share;
- If purchased thereafter and on or before February 1, 1966 — \$3.25 per share;
- If purchased thereafter and on or before February 1, 1969 — \$4.25 per share.

4. Income taxes.

Income taxes for the year ended May 31, 1961 have been reduced and the net profit for the year increased by approximately \$24,200 as a result of claiming for tax purposes an amount greater than the depreciation recorded in the accounts.

The accumulated reduction in income taxes payable to May 31, 1961 in respect of such excess of capital cost allowance claimed for tax purposes over depreciation recorded in the accounts amounted to \$186,900.

5. Depreciation.

Depreciation of buildings, machinery and equipment provided during the year ended May 31, 1961 amounted to \$170,011.

Alberta Distillers, Limited

CALGARY, CANADA
AND SUBSIDIARY COMPANIES

B R A N D S

CANADIAN RYE WHISKIES

Carrington's
Grey Cup
Rock Mount De Luxe
Rock Mount Special Old
Alberta Springs
Alberta De Luxe
Alberta Premium
Canada House

GINS

Grey Cup Golden
Rock Mount London Dry
Ranchman's Dry
Alberta Dry
Rock Mount Gin Collins

RUMS

Royal Marine Dark
Rumba White

VODKA

Alberta
Balalaika

BRANDY

Phillip Baron Fine

LIQUEUR

Beauquer
Alberta Rye Liqueur

SCOTS WHISKY

Agents for D. & J. McCallum
McCallum's Perfection

